NCR-Committeemen's Letter No. 4

UNITED STATES
DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION
WASHINGTON, D. C.

August 1, 1937.

TO MEMBERS OF AGRICULTURAL CONSERVATION COMMITTEES--
NORTH CENTRAL REGION:

Dear Committeeman:

Imports of pork products from Poland have resulted in many inquiries for information on this subject. These imports--almost exclusively in the form of cooked, canned hams--have aroused in some quarters interest out of all proportion to their significance as a competitive factor in the United States pork industry.

Careful study of the facts indicates that:

1. These imports are the result of high prices, attractive to foreign producers.

2. There is no shortage of pork in the United States, as evidenced by exceptionally high storage stocks.

3. Imports of pork products from Poland have amounted to less than one-half of one percent of the total United States production.

4. If keeping out imports of pork products from Poland increased the price, it would have the effect of benefiting primarily holders of storage stocks.

High Prices Attract Imports

Market conditions favorable to producers in the United States attract imports from abroad. In 1932, when the U. S. average farm price of hogs was $3.44, the imports of pork products from Poland totaled only 496 pounds. In 1936, when the U. S. average farm price of hogs had gone up to $9.13, imports of pork products from Poland amounted to 18,701,566 pounds.

During the first four months of 1937, when the U. S. average farm price of hogs was $9.20 per hundred, total imports of pork products from all sources were 24,767,570 pounds. But almost twice this many pounds of pork products, including lard, were exported by the United States during those same four months.

No Shortage of Pork

Storage stocks of pork in the United States on June 1 were 100 million pounds more than the average for this date for the years from 1932 to 1936.

Storage stocks totaled 859,030,000 pounds on June 1.

Since spring the movement of hogs to market has been below average. With prospects for a good corn crop, hog producers apparently intend to carry over their 1936 fall pigs and finish them on corn this fall.

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Imports Small Part of Total Supplies

Imports of pork products from Poland amount to less than one-half of one percent of total United States pork production.

Imports amounting to such a small proportion of total production could not be considered a threat to producers in the United States. That these imports from Poland do not represent any real threat is evidenced by the further fact that they are mostly in the form of canned ham, a luxury product usually retailing at from 10 to 20 cents per pound more than the ordinary domestic smoked ham.

Trade with Poland Important

During the first four months of 1937 exports from the United States to Poland were more than double the value of the pork bought from Poland. In 1936, the United States sold goods to Poland four times the value of the pork products Poland sold this country.

It is not necessary to encourage importation of foreign products that would be seriously competitive in the United States, but a wholesale policy of keeping out all foreign products, even under highly abnormal conditions, would mean cutting down on American farmers' opportunity to sell their products abroad.

When farmers obtain increased duty on imports of agricultural products the result is usually a net loss because, at the same time, the duty is increased on articles the farmer buys. If farmers were able to obtain a prohibitive tariff on imports of pork products, it is likely that they would lose in the end.

If this country is to sell its products abroad, it must buy the products of foreign nations. That is the only way in which foreign nations can obtain American dollars to buy American goods.

Storage Stock Holders Would Benefit From Price Rise

The 859,030,000 pounds of pork products in storage have been bought and paid for and the price at which they are sold to consumers will not affect the income of farmers.

If Polish pork were excluded now, and any price advantage resulted, such advantage would probably be lost as soon as farmers again enter the market heavily.

Very truly yours,

Claude R. Wickard

Director, North Central Division

U. S. GOVERNMENT PRINTING OFFICE 8—10905

UNITED STATES
DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION
WASHINGTON, D. C.

September 25, 1937.

TO MEMBERS OF AGRICULTURAL CONSERVATION COMMITTEES--
NORTH CENTRAL REGION:

Dear Committeeman:

Many inquiries from the North Central areas as to the extent to which shifting of cotton acreage to soil-building crops is stimulating corn and dairy production in the South indicate considerable fear that the conservation program is reducing cotton acreage at the expense of northern corn and dairy farmers. There is actually no basis for such fear.

Recently available data (Agricultural Statistics 1937) for the nine States of the southern region show that:

1. Harvested corn acreage in 1936 was 100,000 acres less than the 1930-33 average (prior to the AAA programs) and nearly 6 million acres less than in 1921.

2. Dairy cow numbers as of January 1, 1937, are 55,000 less than in 1933 (prior to the AAA programs) and 64,000 less than in 1936.

South Not a Competitor in Corn Production

Farmers in many sections of the South need more corn for the production for home use of meat and eggs, products which they cannot afford to buy and, hence, must produce if they are to have them at all. One of the aims of the conservation program is to encourage them in such production for home consumption.

Good prices for cotton during and after the World War caused many farmers to grow cotton on land that was normally used for grains. Between 1921 and 1926 cultivated cotton acreage in the United States rose from below 30 million acres to over 45 million acres. The farm program is attempting to correct this faulty balance that has resulted in unsalable surpluses of cotton and inadequate home feed and food production.

Cotton Decrease Benefits North

A 5-million-acre increase in corn production in the South would have been necessary to make up for the feed equivalent in cottonseed removed from competition with corn by cotton-acreage reduction. Actually, instead of a 5-million-acre increase, there was a 1½-million-acre decrease in corn acreage from 1932 to 1936.

Cottonseed meal and cottonseed oil compete in the Nation's markets with corn and hog products. As a livestock feed, the total digestible nutrients of 1 pound of cottonseed equal 1½ pounds of corn. Cottonseed oil, used in vegetable shortening compounds, is a substitute for lard. Too much cotton not only means low prices for cotton and consequent low buying power in the South for northern products but it also means too much cottonseed and consequent greater southern competition with the equivalent corn-hog products in the North.

South Not a Competitor in Dairy Products

Many families of the South are in actual need of milk and milk products which they cannot afford to buy in sufficient quantities and must produce themselves if they are to have them. Contrasted with an average of 3.6 cows per farm family for the Nation as a whole, the States of the southern region have an average of only 1.9 cows per farm family. Moreover, average production per cow is low throughout most of the southern region.

Consumption of dairy products is lower in the South than in any other area of the United States. Per capita milk consumption is less than half the per capita consumption in the North. The conservation program is attempting to increase consumption of milk by encouraging local production in areas that otherwise would be insufficiently supplied.

The results of that encouragement should not disturb northern dairy interests. Production for home use has increased slightly, but commercial production shows no similar tendency. The number of dairy cows in the nine States of the southern region actually declined by 55,000 head between 1933 and 1937. The rate of the decline is comparable to that in other regions and is probably attributable to the same causes, chief among them the effect of drought conditions on feed and forage.

Oklahoma, which has always been a notable producer of dairy products, is the only State in the southern region in which there has been an appreciable increase in creamery-butter production. The 8-million-pound increase over the 1929-33 average in Oklahoma is substantially offset by a 5-million-pound decrease in Texas.

Cotton Areas Are Not Commercial Dairy Areas

The gist of the matter seems to be that cotton growers are not interested in commercial dairying. The conservation program, moreover, is not encouraging commercial dairying in the South. The program encourages farmers in impoverished, ill-nourished areas to produce for themselves foods that they would otherwise go without.

The real goal of the Agricultural Adjustment Administration program in the South, as in all other areas, is to improve buying power and to encourage a use of the land which will provide a permanent basis for profitable farming. Improved buying power in the South means a better market for the Nation's goods. Northern corn and dairy farmers definitely profit from that better market. The real stake that Midwest agriculture has in the southern farm program is the increased buying power, the improved national business, and the better market that goes with it.

Very truly yours,

Claude R. Wickard

Director, North Central Division.

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NCR Committeeman Letter No. 6

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION
WASHINGTON, D. C.

November 5, 1937.

TO MEMBERS OF AGRICULTURAL CONSERVATION COMMITTEES—
NORTH CENTRAL REGION:

Dear Committeeman:

On October 20, the President sent letters to Honorable Ellison D. Smith, Chairman of the Senate Committee on Agriculture, and to Honorable Marvin Jones, Chairman of the House Committee on Agriculture. These letters, which were identical, expressed the President's views on further development of the Nation's farm program. The text of the President's letter is given below for your information:

My dear Mr. Chairman:-

You will recall that on July twelfth I wrote you concerning the need for further legislation to stabilize agriculture and give it added protection against disaster. My letter pointed out not only the need for this legislation, but the importance of placing it on the statute books at an early date so as to give farmers the benefit of it in the 1938 season.

Since that time, as you are well aware, exceptionally favorable growing weather over most of the country and falling prices for some commodities have brought the surplus problem once more into sharp focus. The pressing nature of this problem was recognized during the closing days of the last session by both houses of Congress in Senate Joint Resolution 207, pledging prompt action at the next session of Congress to meet the problem.

So as to permit early fulfillment of this pledge, I have issued a call for an extra session of Congress to convene November fifteenth. I know that your Committee and the House Agriculture Committee have both been making extensive inquiries into the farm situation and will therefore be in a position to move ahead expeditiously with the task of shaping the new bill.

The new national farm act should safeguard farmers' income as well as their soil fertility. It should provide for storage of reserve food supplies in an ever normal granary, so that if severe and widespread drought recurs consumers will be assured of more adequate supplies with less drastic increases in price than would otherwise be the case. It should provide for control of surpluses when and as necessary, but at the same time it should preserve the export markets that still are open to our farmers. It should protect both farmers and consumers against extreme ups and downs in prices of farm products. It should be financed by sound fiscal methods. Local administration should be kept in the farmers' hands.

I wish to emphasize especially that any price stabilizing features, through loans or other devices, should be reinforced by effective provision against the piling up of unmanageable supplies. We must never again invite the collapse of farm prices, the stoppage of farm buying and the demoralization of business that followed the Federal Farm Board's attempts to maintain farm prices without control of farm surpluses.

The present agricultural conservation program, though it is not entirely adequate to keep farm surpluses from wrecking farm prices and farm income, has great intrinsic value as a safeguard of soil fertility. Its great value must be made lasting. Therefore, it is my sincere hope that the Congress, when it enacts new legislation to protect agriculture and the nation against the calamity of farm price collapse, will assure the continuity and permanence of the agricultural conservation program now being carried forward by nearly four million farmers.

It is, of course, especially important that any new legislation should not unbalance the expected balancing of the budget. In other words, no additional Federal expenditures from the general fund of the Treasury should be made over and above existing planned expenditures. The only exception to this would be the incurring of additional obligations on the part of the Treasury, backed one hundred per cent by additional receipts from new taxes.

In other words, whatever goes out must be balanced by an equivalent amount coming in.

To my mind the purposes of the proposed new legislation and the existing conservation program are wholly consistent with each other and can be related together to the benefit of agriculture and the nation.

At the request of both your Committee and the House Agriculture Committee, Secretary Wallace and his aides in the Department of Agriculture who have had experience in administering farm programs in the past have been making studies which I know will be of great assistance to you in shaping the new law. With their help, and the added counsel of practical farmers throughout the nation, I am confident that your committees and your fellow members can draft permanent legislation that will serve the nation for many years to come.

Very sincerely yours,

(Signed) FRANKLIN D. ROOSEVELT

The above letter is being sent you in the belief that you, as an active participant in the planning and administration of current agricultural programs, will be interested in studying the President's statement.

Very truly yours,

Claude R. Wickard

Director, North Central Division.

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION

December 20, 1937.

Dear Committeeman:

Farmers in the United States raise frequent questions about the significance of and the reasons for imports of foreign meats, grains, and live cattle into the United States. A study of these imports reveals the facts given below.

Corn and Wheat:

1. Imports of corn and wheat during early 1937 were stimulated by high prices which were caused by droughts cutting United States crops. These prices attracted foreign products over United States tariff walls. United States farm prices and amounts of imports in 1937 and in 1932, when farm prices of these grains reached their lowest points and imports were very low, are compared below:

Commodity	Average U. S. Farm Price July 15, 1932	Imports First 6 Months of 1932	Average U. S. Farm Price July 15, 1937	Imports First 6 Months of 1937
	(Cents per bu.)	(Bu.)	(Cents per bu.)	(Bu.)
Corn	29.9	218,469	118.1	52,165,000
Wheat	35.6	1,343,010	112.8	8,087,000

2. With bumper 1937 crops of corn and wheat and lower prices in the United States, imports of these crops ceased almost entirely in September. Average farm prices for October were 58.9 cents per bushel for corn and 88.7 cents for wheat. Foreign corn and wheat cannot profitably be imported at these prices. The Tariff Act of 1930 established a duty on corn of 25 cents a bushel and on wheat of 42 cents a bushel.

3. Livestock feeders needed corn after the 1936 drought, and this need stimulated prices and imports. United States corn production in 1936 was only 1,529,327,000 bushels, as compared with 2,554,772,000 bushels average for the years 1928-32. There was a deficiency of over a billion bushels under the average crop. The 52 million bushels of corn imported during the first 6 months of 1937 constituted about 5 percent of this deficiency.

4. United States production of agricultural commodities is large even during drought years, and total imports of corn and wheat amount to only a fraction of domestic production—so small a fraction that they do not materially affect prices. The following table shows production and imports of these crops, and the percentage of production which represents the imports, from 1934 through 1936:

Crop and Year (July 1 to June 30)	Imports During Fiscal Year	Total U. S. Production for Crop Year	Percent Imports Are of Total U. S. Production in Year Designated
			(Percent)
Corn:			
1934-35	20,427,000	1,461,123,000	1.4
1935-36	31,284,000	2,303,747,000	1.4
1936-37	77,974,000	1,529,327,000	5.1
Wheat:			
1934-35	14,052,000	526,393,000	2.7
1935-36	34,494,000	626,344,000	5.5
1936-37	34,263,000	626,461,000	5.5

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5. When the 1937 wheat crop came to market the United States again began exporting wheat instead of importing it. United States wheat exports as grain during July through November 1937 were 20,911,000 bushels. Corn exports for the same period were 1,169,000 bushels.

Meats and Livestock:

1. United States production of hogs and other livestock declined when droughts cut feed supplies. This resulted in high prices which stimulated imports of pork and beef products and live cattle to meet a relatively strong consumer demand.

Farm prices and volume of imports of meats and live cattle in the first 6 months of 1932 and of 1937 are compared in the following table:

Commodity and Year	Average Farm Price on July 15	Commodity and Year	Volume of Imports First 6 Months (Dressed Wt.)
Hogs (Live Wt.):		Pork Products:	
1932	4.23 cents per lb.	1932	3,023,272 lb.
1937	10.70 " " "	1937	43,296,291 "
Beef Cattle (Live Wt.):		Beef Products:	
1932	4.52 " " "	1932	11,784,577 "
1937	7.46 " " "	1937	45,363,441 "
Live Beef Cattle:		Live Cattle:	
1932	4.52 dollars per 100 lb.	1932	*28,557,364 " (55,318 head).
1937	7.46 " " " "	1937	93,771,327 " (308,840 ").

*Estimated.

2. Feed supplies have been replenished by bumper 1937 crops. Prices are declining and imports have slackened. But the need to replenish breeding stock and the time required to prepare animals for market on the new crop of corn tend to check the rate of movement to market of domestic cattle and hogs.

3. Polish hams are sold to the public as "delicacies and specialties" and usually retail as luxury products at prices higher than domestic products.

4. A market is opened for importations of South American canned beef because of the relatively high price of lower grades of domestic beef and because domestic packers make a better profit selling a comparable grade of beef fresh.

5. Depletion of livestock numbers and marketings in the United States as a result of droughts, joined with improved consumer demand to increase cattle prices from 1935 to the present. Under these conditions imports of cattle would have increased without any reductions in our import duties. In August 1937 the full rate on heavy cattle became effective when the annual lower-duty quota, established under the reciprocal trade agreement program, was filled, but imports continued to come in. Records of the Bureau of Animal Industry suggest that about 46 percent of all cattle imported through August 1937 were available to replenish feed lots when new feed supplies came into prospect.

Sincerely,

Claude R. Wickard

Director, North Central Division.

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